

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07

NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 AID-05 CEA-01 COME-00 EB-07 EA-07 FRB-03 IO-13

NEA-10 OPIC-03 CIEP-01 LAB-04 SIL-01 AGRE-00 OMB-01

DODE-00 EURE-00 /116 W

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 4526

INFO USMISSION NATO PRIORITY

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E.O. 11652: N/A

TAGS: AORG, OECD, NATO

SUBJECT: SALARY ADJUSTMENT

REFS: (A) OECD PARIS 35231, (B) USNATO 6528, (C) STATE

292605

1. MISSION HAS RECEIVED FULL TEXT OF VAN LENNEP'S PRESENTATION REFERRED TO IN PARA 3 OF REF A. IN A COVER LETTER TO THE TEXT, VAN LENNEP PROVIDES A SUMMARY OF HIS POSITION WHICH WE REPRODUCE IN PARA 2 BELOW. FULL TEXT OF PRESENTATION BEING POUCHED TO DEPARTMENT AND USNATO.

2. BEGIN TEXT OF SUMMARY: (1) WHILE THE PRINCIPLE OF PARALLELISM IN SALARY ADJUSTMENTS OF INTERNATIONAL AND NATIONAL PUBLIC SERVICE SALARIES IS READILY UNDERSTOOD, I CANNOT EXPLAIN TO MY STAFF, NOR DO I UNDERSTAND MYSELF, WHY, IN IMPLEMENTING THIS PRINCIPLE, AN ABSOLUTE CEILING SHOULD BE IMPOSED AS IN ARTICLE 6. THE EFFECT IS TO
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VOID THE PROVISIONS OF ARTICLE 5 EXCEPT AS THEY MIGHT BE

APPLIED TO REDUCE SALARY ADJUSTMENTS BELOW THOSE IN NATIONAL CIVIL SERVICES.

(2) IN PARTICULAR, I CANNOT EXPLAIN TO MY STAFF WHY THE PROVISION IN ARTICLE 5(C) SHOULD BE COMPROMISED IN THIS WAY. THERE IS NO SUCH CEILING APPLIED IN THE EUROPEAN COMMUNITIES, WHERE THIS PRINCIPLE OF PARALLELISM IS ALSO BEING IMPLEMENTED. THE EFFECT IS TO TREAT THE STAFF OF THIS ORGANIZATION AS SECOND CLASS CITIZENS IN RELATION TO THE EUROPEAN COMMUNITIES. FURTHERMORE, IN PARAGRAPH 15(I) OF THE 123RD REPORT, A PROVISION SIMILAR TO THAT OF ARTICLE 6 OF THE 133RD REPORT WAS QUALIFIED BY A FURTHER PROVISION RETAINING THE EUROPEAN COMMUNITIES, AS WELL AS OTHER INTERNATIONAL ORGANIZATIONS, AS AN IMPORTANT FACTOR OF COMPARISON FOR THE EVOLUTION OF SALARIES IN THE CO-ORDINATED ORGANIZATIONS.

(3) THE INCLUSION OF THE PHRASE "IRRESPECTIVE OF GRADES COMPARISONS" IN ARTICLE 5(B) INTRODUCES SERIOUS AND UNNECESSARY PROBLEMS OF COMPARISONS OF NET SALARY LEVELS INTO A PROCEDURE FOR ADJUSTMENT OF SALARIES AIMED AT ACHIEVING PARALLELISM BETWEEN NATIONAL AND INTERNATIONAL NET SALARY TRENDS. AN IMPORTANT OMISSION IN THE EXAMINATION OF THIS ISSUE BY GOVERNMENT EXPERTS, IN MY VIEW, HAS BEEN THE FAILURE TO TAKE ACCOUNT OF THE IMPORTANT EFFECT OF NON-STANDARD DEDUCTIONS IN REDUCING TAXABLE INCOME AND OFFSETTING PROGRESSIVITY IN INCOME TAX SYSTEMS. MOREOVER, THE COMPARISONS OF SALARY LEVELS MUST TAKE ACCOUNT OF ALLOWANCES AND PAYMENTS IN KIND THAT OFTEN SUBSTANTIALLY INCREASE THE BASIC SALARY OF A NATIONAL CIVIL SERVANT IN RELATION TO HIS INTERNATIONAL COUNTERPART, PARTICULARLY WHEN THE FORMER IS ON ASSIGNMENT ABROAD.

(4) THE SO-CALLED "WIDENING GAP" BETWEEN NATIONAL AND INTERNATIONAL SALARIES, IS, IN ANY EVENT, BASED ON MISCONCEPTIONS AS TO THE EFFECT OF TAXATION IN THE SALARY ADJUSTMENT PROCESS. INDEED, CONTRARY TO THE CONCLUSIONS IN PARAGRAPH (3) OF THE 133RD REPORT, TO THE LIMITED EXTENT IT EXISTS, THE "WIDENING GAP" IS ALMOST LIMITED OFFICIAL USE

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EXCLUSIVELY DUE TO THE FACT THAT LARGER REAL INCREASES (STANDARD OF LIVING ADJUSTMENTS) HAVE BEEN ACCORDED TO THE STAFF OF THE CO-ORDINATED ORGANIZATIONS THAN TO NATIONAL CIVIL SERVANTS AS A RESULT OF CONSCIOUS DECISIONS OF COUNCILS.

(5) I AM PARTICULARLY CONCERNED AT THE COMBINED EFFECTS OF ARTICLES 6 AND 7. TWO OF THE REFERENCE

COUNTRIES INCLUDED IN ARTICLE 7 ARE SUBJECTING PUBLIC SERVICE SALARIES TO PARTICULARLY SHARP RESTRAINT IN AN EFFORT TO DEAL WITH EXCEPTIONALLY LARGE DOMESTIC PRICE INCREASES AND EXCHANGE RATE FLUCTUATIONS. ARTICLE 7 SHOULD PROVIDE FOR THE ELIMINATION OF EXTREME CASES AS WAS ALREADY FORESEEN BY WORKING PARTY 13 OF THE CO-

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ORDINATING COMMITTEE IN PARAGRAPH 14 OF ITS REPORT UNDER REFERENCE CCG/W(76)25 OF 14TH JUNE, 1976.

(6) FINALLY, I FEAR THAT THE INTRODUCTION OF THE LEVEL OF REMUNERATION OF NATIONAL PUBLIC SERVICES AS A FACTOR OF COMPARISON FOR B AND C GRADES MAY ALSO CAUSE DISTORTIONS IN THE SALARY ADJUSTMENT PROCESS. I SUGGEST THAT WE INTERPRET THE PROVISIONS RELATING TO B AND C GRADES AS CALLING FOR COMPARISONS OF TRENDS, RATHER THAN LEVELS, OF SALARIES IN NATIONAL PUBLIC SERVICES.

YOU WILL RECALL THAT TWO COMPROMISE SUGGESTIONS RECEIVED CONSIDERABLE SUPPORT DURING THE DISCUSSIONS IN THE HEADS OF DELEGATION ON FRIDAY. ONE WAS INDEED TO ELIMINATE THE LAST FOUR WORDS READING "IRRESPECTIVE OF GRADES COMPARISON" FROM ARTICLE 5(B). THE OTHER WAS EITHER TO CHANGE OR TO INTERPRET ARTICLE 6 IN ORDER TO ENSURE THAT ARTICLE 5(C) WOULD NOT BE DEVOID OF MEANING EXCEPT AS IT MIGHT BE APPLIED TO REDUCE AN ADJUSTMENT OF LIMITED OFFICIAL USE

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SALARIES BELOW WHAT MIGHT BE OTHERWISE ACCORDED. WHILE I WOULD OBVIOUSLY PREFER A SOLUTION WHEREBY ARTICLE 5(C) WOULD TAKE PRECEDENCE OVER ARTICLE 6, THE SUGGESTED COMPROMISE MIGHT BE GIVEN EFFECT BY CONCLUDING THAT ARTICLE 6 WOULD APPLY EXCEPT AS MAY BE APPROPRIATE IN APPLICATION OF ARTICLE 5(C).

TO ADAPT THE RULES TO ELIMINATE UNDUE DISPARITIES FROM THE FORMULA IN THIS PERIOD OF SHARPLY DIVERGING ECONOMIC DEVELOPMENTS, WE MIGHT AGREE NOT TO INCLUDE THOSE REFERENCE COUNTRIES WHERE NATIONAL CIVIL SERVICE SALARIES HAVE DEVIATED BY TEN PERCENT OR MORE FROM THE AVERAGE TREND IN THE ADJUSTMENT OF NATIONAL CIVIL SERVICE SALARIES IN REFERENCE COUNTRIES.

I HOPE YOU WILL FIND THAT YOU CAN RECOMMEND TO YOUR GOVERNMENT THE CHANGES SUGGESTED IN THE PARAGRAPHS ABOVE. FOR MY PART I WOULD THEN SEEK TO PERSUADE MY STAFF AND MY COLLEAGUES IN THE OTHER CO-ORDINATED ORGANIZATIONS TO ACCEPT THE PROPOSED PROCEDURE FOR THE TEMPORARY PERIOD OF TWO YEARS PROVIDED FOR. END TEXT OF SUMMARY

3. ACTION REQUESTED: SECRETARY-GENERAL HAS SCHEDULED HEADS OF DELEGATIONS MEETING FOR DECEMBER 7 TO CONTINUE DISCUSSION OF 133RD REPORT. REQUEST APPROPRIATE GUIDANCE BY O.O.B. DECEMBER 7.

KATZ

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